



MESSAGE FROM LUKE

When we are introduced to prospective clients, the question we hear most often is how we believe Lloyd Sadd is different from other brokers.

We believe the answer is in our Mission Statement:

"We invest time to understand our clients' business, helping them to reduce their total cost of risk, making them a better organization."

We are always looking to stay informed on your operations, the challenges you face in your industry, and the issues that are important to you.

In our quarterly communiqués our intent is to bring you current, relevant and useful information that you can share with your staff. We hope to provide you with loss prevention ideas, but also claim scenarios or court judgments that keep you aware of the types of situations you may be exposed to.

We hope the information we are providing in this communiqué is beneficial. As always, we welcome your questions and are happy to discuss them at anytime.

Luke Horcica
ACCOUNT EXECUTIVE

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THE DEPARTMENT

luke horcica
account executive
(780) 930-3811
lhorcica@lloydsadd.com

andrew duncan
account manager
(780) 930-3858
aduncan@lloydsadd.com

michelle kane
account assistant
(780) 930-3873
mkane@lloydsadd.com

karen polkonsnik
marketing broker
(780) 930-3865
kpolkosnik@lloydsadd.com

17413-107 Avenue
Edmonton, AB T5S 1E5

Ph: (780) 483-4544
Fax: (780) 484-5727
Toll Free: 1-800-665-5243
www.lloydsadd.com

LIMITS OF LIABILITY

How do I know if my liability limits are adequate?

It's a difficult question because you never do know. However, I can tell you that the two largest liability judgments for catastrophic injury in Canada for 2007 were as follows:

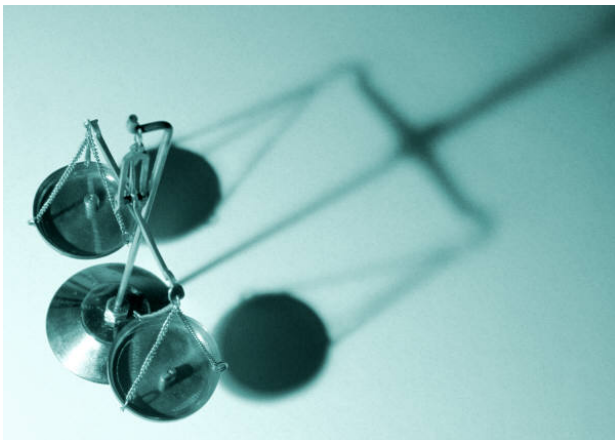
- Largest Automobile Liability loss - \$25mm; vehicle accident; 2 injured parties, \$12.5mm each
- Largest Commercial General Liability loss - \$13mm; a child fell out of apartment window

While every claim scenario will be different, resulting in different judgments, the above cases serve as examples that there will be situations where damages can be in the millions of dollars.

One thing that you need to consider is joint and several liability. Our laws are such that the victim cannot suffer, and must be made whole.

In a vehicle accident scenario, a bar is held 1% liable for over-serving because a patron subsequently injured someone in a motor vehicle accident due to their own negligence. Although the patron is found 99% liable, the bar may be required to pay 100% of the claim and then be forced to recover 99% of the claim from the patron.

So, to answer the question as to the adequacy of liability limits, I would have to say that the judgment mentioned above might suggest that your limits are too low.



CASE STUDY

I have included a claims example from Ontario which clearly shows how a nightclub was left 100% liable. Evidence showed they only served a patron a small percentage of the alcohol he had consumed prior to his being injured. The plaintiff's lawyer alleges that his client should not have been served as he was already intoxicated.

BRAWL COSTS NIGHTCLUB \$1.3 MILLION

A late-night brawl in an Ottawa nightclub that left one man permanently disabled has resulted in a \$1.3-million settlement.

Shortly after the 31-year-old plaintiff and two friends arrived at the bar in May 1995, a brawl began between them and three other men. The plaintiff fell to the floor and received a vicious kick to the head. As a result, he is permanently brain-damaged and will never work again.

Witnesses said the fight broke out with little or no warning. Doormen broke up the brawl, but not before the plaintiff had sustained his injury. Evidence indicated that the plaintiff had been served only one or two rounds at the nightclub, but a toxicology report showed that he had consumed the equivalent of 17 beers. Plaintiff's counsel argued that because the plaintiff was heavily intoxicated when he arrived at the bar, he and his party ought not to have been served at all.

Police charged the assailant but at the criminal trial, witnesses were unable to properly identify him and he was acquitted. As a result, the nightclub was the sole defendant. Under Ontario's contributory negligence rule, a defendant who is held just one per cent liable for a plaintiff's injuries may also have to pay the share of any other defendant who cannot afford to pay.

To avoid the expense of a trial, insurers for the bar agreed to settle for \$1.3 million as well as \$80,000 in legal expenses.

Source: www.elliottsr.com

BUSINESS INTERRUPTION

In the aftermath of a disaster, many business owners fail to think about how they would manage if a fire or natural disaster damaged their business premises so that they were temporarily unusable. According to the Insurance Information Institute, more than 25% of all businesses that close down following a disaster never open their doors again.

With advanced planning, there are measures you can take to protect your company's bottom line. To safeguard your business, consider **Business Interruption** coverage, an insurance coverage added to your property package that funds the restoration of your business operations after a loss. There are two types of Business Interruption coverage that you need to consider:

1. BUSINESS INCOME

This is designed to replace income that would otherwise have been earned by your business had no loss occurred. Business income is generally defined as the net profit of loss *before* taxes, plus continuing normal operating expenses, including ordinary payroll (payroll for employees other than officers, executives, department managers or employees under contract). Coverage is generally limited to the loss of income sustained until the property is restored, and/or a specific timeframe following the loss.

Specific Items to Consider

- It's important to review ordinary payroll annually. Is it something you want to insure?
- Review your projected timeframe for resuming business. After a major loss, time moves slowly. Things take much longer than you anticipate and typically cost much more, too.
- You may be back in business but your customers are still going to your competitor. An Extended Period of Indemnity extension may be necessary to give you more time to restore your business to pre-loss level.

2. EXTRA EXPENSE

This is designed to pay for necessary expenses incurred during the period of restoration of the property. Extra expenses include those necessary to continue operating the business at its original location, or at a temporary replacement location until the original location is repaired.

Specific Items to Consider

- Not all businesses would lose customers after a major loss. Transitions are more expensive than you think. Increased rent, employee overtime, and moving costs are examples of extra expenses that service organizations should consider insuring.

I also recommend that you consider the following:

- A **Business Income Worksheet** should be completed every year to review all your exposures. The Business Income Worksheet requires financial information for the current year as well as projection into the next year. The projection portion is often skipped, but trying to see into the future is important for setting proper overall limits
- A standard indemnity period of this coverage is 12 months; i.e. Insurers will pay for your loss of profits and continuing expenses for **up to** 12 months following your loss. Consider that it may take longer to re-open following a catastrophic loss. Investigation, engineering work, availability of contractors, demolition and debris removal, re-construction of building, replacement of equipment, or re-building the bar itself. Most Insurers will offer 18 and 24 month indemnity periods at a cost.
- Monitor your limits over the course of the year. Fluctuations in revenue and expenses may mean that your limits could require amendment. This is especially important for new establishments who are initially insuring for limits based solely on estimates (i.e. they don't have a history to rely on.) Business Interruption does have co-insurance penalties, and Insurers *will* review your financials when looking at the loss.
- Many policies have a small sub-limit for Extra Expense, usually \$10,000, but not all do. If this is coverage you want to carry, please call me. It is not an expensive coverage, but definitely an important one.



CLAIMS ADVOCACY

One of the most important roles we play as a broker is to serve as your advocate in the event of a claim. The assigned adjuster is expected to be fair, but they are hired by the Insurer and not all losses go as "smoothly" as others.

When a claim occurs your broker is there to look after your interest, answer your questions, and work with and challenge the Adjuster or Insurer when necessary. Ultimately they are there to ensure that you are indemnified for your loss.

Some claims can certainly be more challenging than others. These are the times that you depend on your broker for assistance.

Seeing our clientele grow significantly over the last five years, and always looking to provide services that other brokers don't offer, we recognized the need to add to our staff a Claims Manager.

This person will not only help us streamline our own processes, but they will serve as an advocate for our clients on challenging claims.

As of January 7th, we welcome **Felix Ference** as our Claims Manager. I have included Felix's profile for your review.

WELCOME



FELIX FERENCE, Claims Manager

Felix is a recent addition to the Lloyd Sadd commercial team. He brings a wealth of experience and knowledge with 21 years in the property / casualty industry. Felix has held numerous positions in the industry in senior technical and management roles for large international insurance companies. Prior to joining Lloyd Sadd, Felix spent the last 11 years with ING Canada in the roles of Regional Claims Manager and Regional Branch Manager for the Northern Alberta region.

In his role with Lloyd Sadd, Felix will be leading our claims management initiatives for the brokerage. We believe Felix's representation of our clients will ensure that they remain active participants in the claims process. Felix acts exclusively on behalf of our clients to coordinate process actions and interacts with insurer representatives to develop claim disposition strategies that will influence the satisfactory resolution of claims. It is our aim to improve claim-handling timelines, reduce the additional financial and legal costs arising from loss incidents, and minimize the interruptions, as well as the total cost of risk, to our client's business.

KEY RESPONSIBILITIES

- Overall accountability for internal claims protocols and processes,
- Active monitoring and oversight of the claims adjustment process,
- Audit and evaluation of vendor, independent adjuster and insurer conduct to ensure compliance with industry accepted practice,
- Client focused claims advocacy on all aspects of reported claims from initial investigation through to indemnity negotiations and ultimate settlement,
- Consultation to clients on management of self insured losses.

PROFILE

- Queens School of Business - Executive Development Program – Kingston, Ontario – Leadership, Finance for Managers, Sales Management
- American Management International – Modules – Managing the Compensation System, Experience Modifier Management, Risk Financing Alternatives, Applied Risk, Effective Claims Management – 1993
- Banff Centre for Management – Managing Customer Service – 1992
- International Loss Control Institute – Modern Loss Management 1992
- University of Calgary – professional development program – Public Administration, Human Behavior in Organizations, Performance Management, Coaching for High Performance,
- Active member with Insurance Institute of Canada, continuing the completion of CIP designation,
- Ambassador University – Pasadena, CA, Liberal Arts 1986

PROPERTY VALUATIONS

The questions I hear most often are with respect to valuation of buildings and property.

Construction costs have increased dramatically in Alberta over the last few years and, unless you have done a recent renovation, most people are "out of touch" with what the cost of rebuilding is.

Insurance limits are based on replacement cost, i.e. the cost to rebuild new, including demolition and debris removal, and subject to any applicable bylaws that might increase construction costs.



Did you know...

ING Canada recently inspected 850 buildings they insure in Alberta, and found that only **15%** were insured to the adequate value.

If you are not insured to value you can face co-insurance penalties. **The only true way to know if you are insured to value is to have a Replacement Cost Appraisal completed.** (This is not to be confused with a "Market Value Appraisal", which is not useful as far as insurance limits go.)

Our firm was recently approached by CGI Insurance Business Solutions who have examples of reports they can undertake for our clients. (I will be emailing sample reports once I receive them.) They can undertake a full inspection of your premises, make loss control recommendations, and provide you with a Replacement Cost Appraisal. The information provided in these reports is very useful in the placement of insurance. They not only appraise buildings, but if you are a tenant they can help you appraise contents, tenant improvements for which you may be responsible for insuring, etc.

The reports started at approximately \$500 per location, with very comprehensive reports being in the range of \$800-\$1000. If this is of interest to you, please call us and we will be happy to set up an appointment for you.

Meet your Account Manager:
ANDREW DUNCAN

Joining Lloyd Sadd in 2006 as an Account Manager, Andrew is often the first point of contact for our commercial clients, as well as a liaison between clients and underwriters. Entering the industry in 2001, Andrew has several years of varied experience in both personal and commercial insurance.

Education / Professional Designations / Memberships

- Insurance & Risk Management Program Diploma
- Chartered Insurance Professional (CIP) designation
- Canadian Risk Manager (CRM) designation
- Canadian Accredited Insurance Professional (CAIB) designation
- Currently working towards Fellow Chartered Insurance Professional (FCIP) designation

